# VERTEX®

Investor Presentation

November 2023

# Disclaimer

**Forward Looking Statements**

Any statements made in this presentation that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements and should be evaluated as such. Forward-looking statements include information concerning possible or assumed future results of operations, including descriptions of our business plan and strategies. Forward-looking statements are based on Vertex management's beliefs, as well as assumptions made by, and information currently available to, them. Because such statements are based on expectations as to future financial and operating results and are not statements of fact, actual results may differ materially from those projected. Factors which may cause actual results to differ materially from current expectations include, but are not limited to: our ability to attract new customers on a cost-effective basis and the extent to which existing customers renew and upgrade their subscriptions; our ability to sustain and expand revenues, maintain profitability, and to effectively manage our anticipated growth; our ability to maintain and expand our strategic relationships with third parties; the potential effects on our business from the existence of a global endemic or pandemic; and the other factors described under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 as filed with the Securities Exchange Commission ("SEC") and the Company's subsequent filings with the SEC. Copies of each filing may be obtained from the Company or the SEC. All forward-looking statements reflect our beliefs and assumptions only as of the date of this presentation. We undertake no obligation to update forward-looking statements to reflect future events or circumstances.

**Definitions of Certain Key Business Metrics**

Annual Recurring Revenue ("ARR") – We derive the vast majority of our revenues from recurring software subscriptions. We believe ARR provides us with visibility to our projected software subscription revenues in order to evaluate the health of our business. Because we recognize subscription revenues ratably, we believe investors can use ARR to measure our expansion of existing customer revenues, new customer activity, and as an indicator of future software subscription revenues. ARR is based on monthly recurring revenues ("MRR") from software subscriptions for the most recent month at period end, multiplied by twelve. MRR is calculated by dividing the software subscription price, inclusive of discounts, by the number of subscription covered months. MRR only includes customers with MRR at the end of the last month of the measurement period.

Net Revenue Retention Rate ("NRR") – We believe that our NRR provides insight into our ability to retain and grow revenues from our customers, as well as their potential long-term value to us. We also believe it demonstrates to investors our ability to expand existing customer revenues, which is one of our key growth strategies. Our NRR refers to the ARR expansion during the 12 months of a reporting period for all customers who were part of our customer base at the beginning of the reporting period. Our NRR calculation takes into account any revenues lost from departing customers or customers who have downgraded or reduced usage, as well as any revenue expansion from migrations, new licenses for additional products or contractual and usage-based price changes.

**Use and Reconciliation of Non-GAAP Financial Measures**

In addition to our results determined in accordance with accounting principles generally accepted in the U.S. ("GAAP"), we have calculated non-GAAP cost of revenues, non-GAAP gross profit, non-GAAP gross margin, non-GAAP research and development expense, non-GAAP selling and marketing expense, non-GAAP general and administrative expense, non-GAAP operating income, non-GAAP net income, non-GAAP diluted EPS, Adjusted EBITDA, Adjusted EBITDA margin, free cash flow and free cash flow margin, which are each non-GAAP financial measures. We have provided tabular reconciliations of each of these non-GAAP financial measures used in this presentation to its most directly comparable GAAP financial measure.

Management uses these non-GAAP financial measures to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, and to evaluate financial performance and liquidity. Our non-GAAP financial measures are presented as supplemental disclosure as we believe they provide useful information to investors and others in understanding and evaluating our results, prospects, and liquidity period-over-period without the impact of certain items that do not directly correlate to our operating performance and that may vary significantly from period to period for reasons unrelated to our operating performance, as well as comparing our financial results to those of other companies. Our definitions of these non-GAAP financial measures may differ from similarly titled measures presented by other companies and therefore comparability may be limited. In addition, other companies may not publish these or similar metrics. Thus, our non-GAAP financial measures should be considered in addition to, not as a substitute for, or in isolation from, the financial information prepared in accordance with GAAP financial measures, and should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 and in our other reports periodically filed with the SEC.

**Market & Industry Data**

Market data and industry information used throughout this presentation are based on management's knowledge of the industry and the good faith estimates of management. The Company also relied, to the extent available, upon management's review of independent industry surveys and publications and other publicly available information prepared by a number of third-party sources. All of the market data and industry information used in this presentation involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such assumptions and resulting estimates. Although the Company believes that these sources are reliable, the Company cannot guarantee the accuracy or completeness of this information, and the Company has not independently verified this information. While the Company believes the estimated market position, market opportunity and market size information included in this presentation are generally reliable, such information, which is derived in part from management's estimates and beliefs, is inherently uncertain and imprecise. No representations or warranties are made by the Company, any of its affiliates or underwriters as to the accuracy of any such statements or projections. Projections, assumptions and estimates of the Company's future performance and the future performance of the industry in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described above. These and other factors could cause results to differ materially from those expressed in the Company's estimates and beliefs and in the estimates prepared by independent parties.

**⩘ VERTEX**

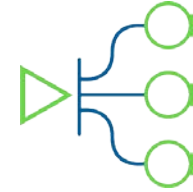# Our vision is to accelerate global commerce

VERTEX
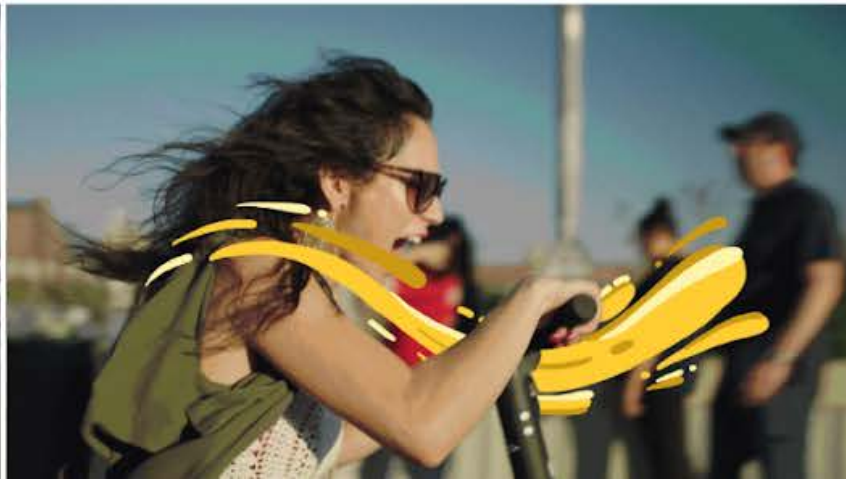
# Investment highlights

A leader in global, growing indirect tax software market

Marquee customer base across a diverse set of industries with 63% of Fortune 500[1]
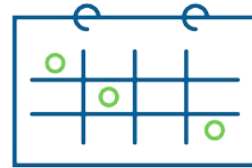
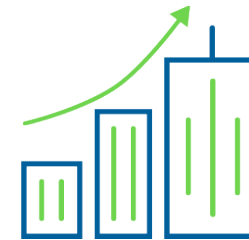Significant cloud growth and subscription revenues

Meaningful land-and-expand motion with proven upsell track record

Market leadership due to dynamic, comprehensive content library

Highly scalable tax technology platform to support mission-critical workflows

Durable growth and profitability at scale

Notes:
(1)   Based on information as of December 31, 2022.

VERTEX

# Vertex: the trusted name in tax technology for over 40 years

**4,303**

Direct Customers [1]

**>130**

Countries supported [2]

**63%**

of the Fortune 500 [2]

**$549MM**

2023 LTM Revenues [3]

**84%**

Subscription revenues [4]

**$90MM**

2023 LTM Adjusted EBITDA [3]
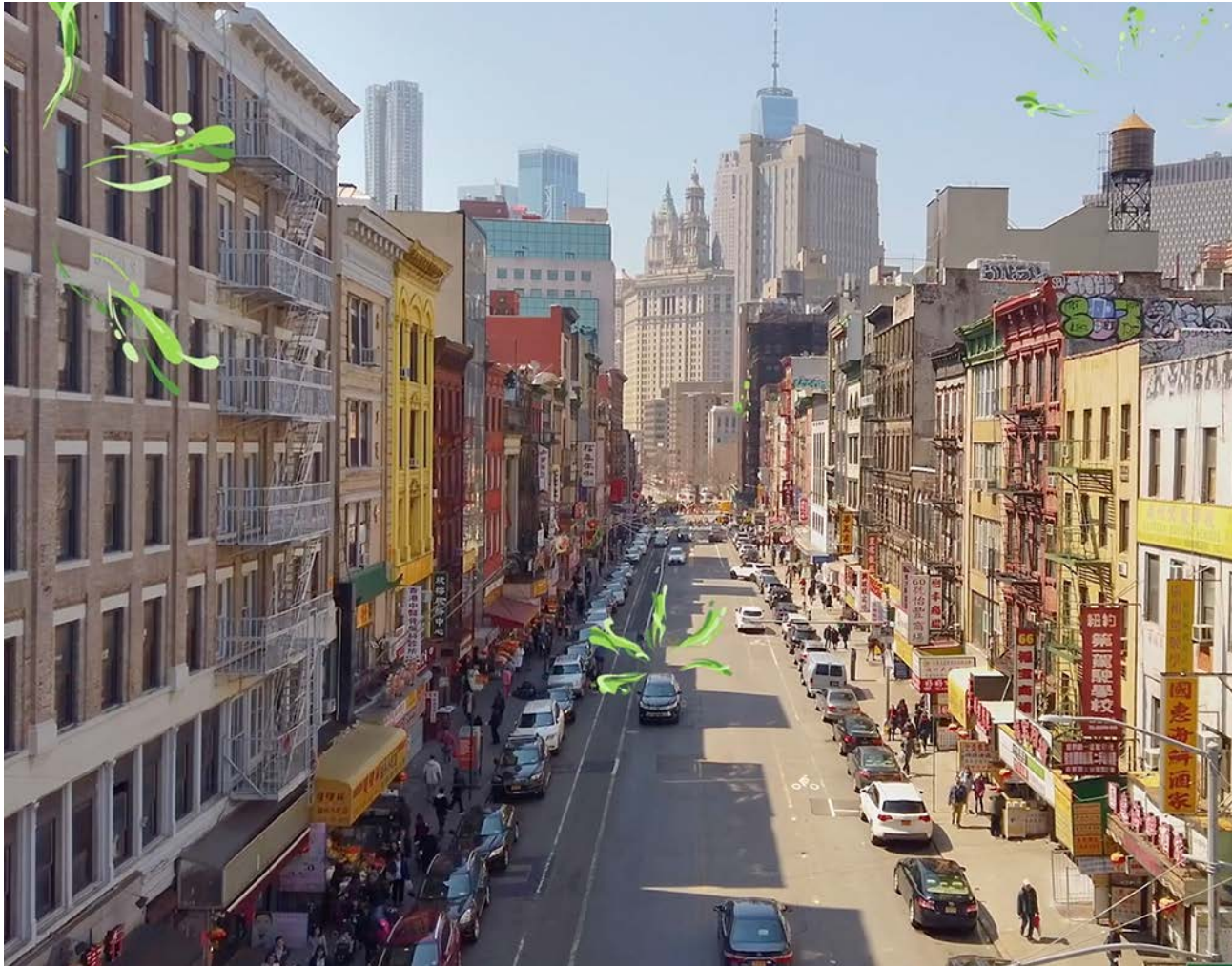


Notes:
(1)     Based on information as of September 30, 2023. Refer to Appendix for makeup of customer count.
(2)     Based on information as of December 31, 2022.
(3)     Reflects last twelve months information through September 30, 2023.
(4)     Based on information as of September 30, 2023.

**VERTEX**

# Indirect taxes are significant and growing[1]

Sales tax
Use tax
VAT
Imports
Exports
Excise
Payroll

$4.4T

Indirect tax revenue

$1.4T

Corporate income tax revenue
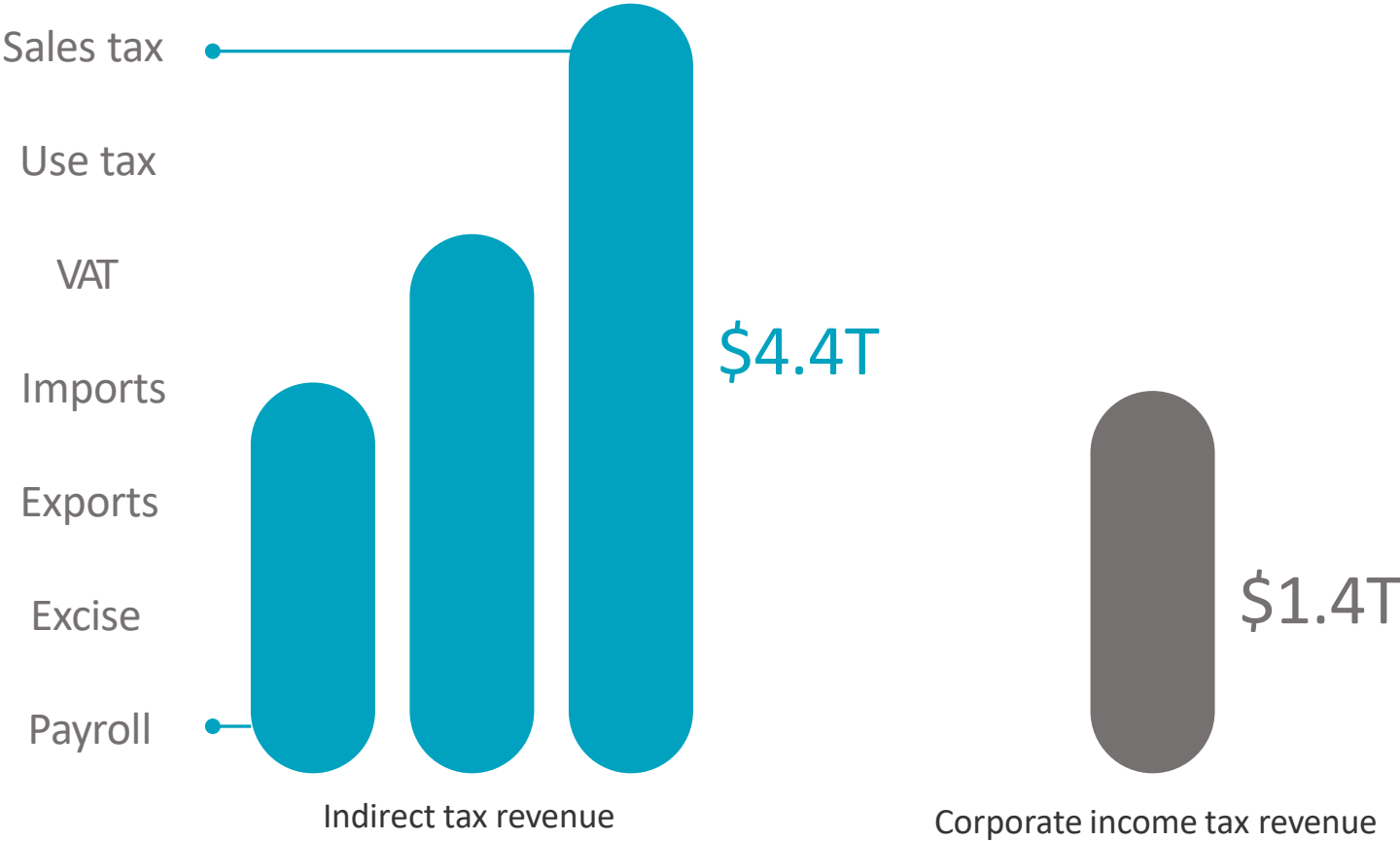
## 3.1x

Indirect tax revenue vs. corporate income tax revenue

## 20%

VAT as a % of GDP in OECD countries

VERTEX

# Indirect taxes are incredibly complex...
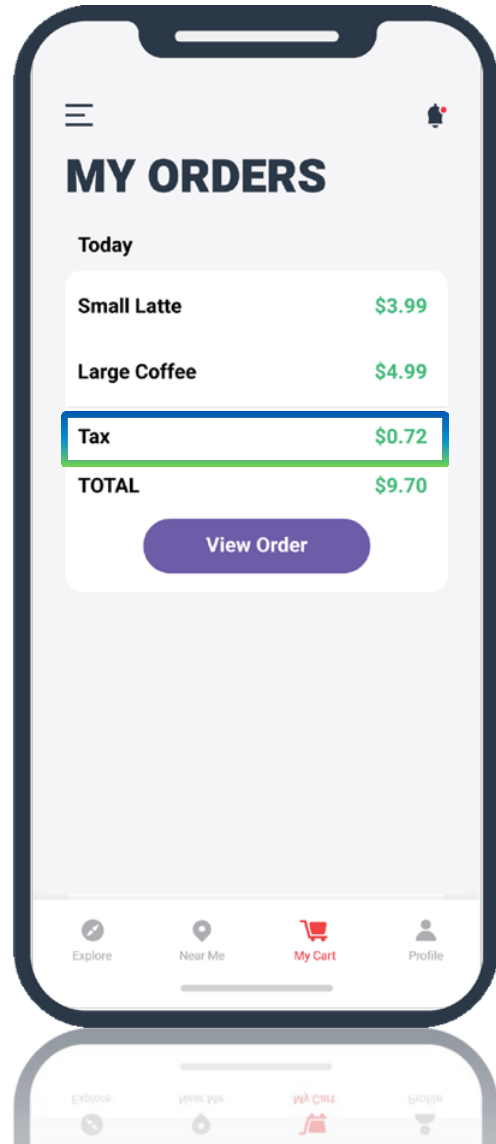


**EVERY**
transaction

**THOUSANDS**
of jurisdictions

**THOUSANDS**
of products and services

In **REAL-TIME**

**VERTEX**

# …and occur across the global commerce supply chain…



Manufacturing

Raw Materials

Shipping

Logistics

Point of Sale

Mobile App

eCommerce

Marketplace

VERTEX
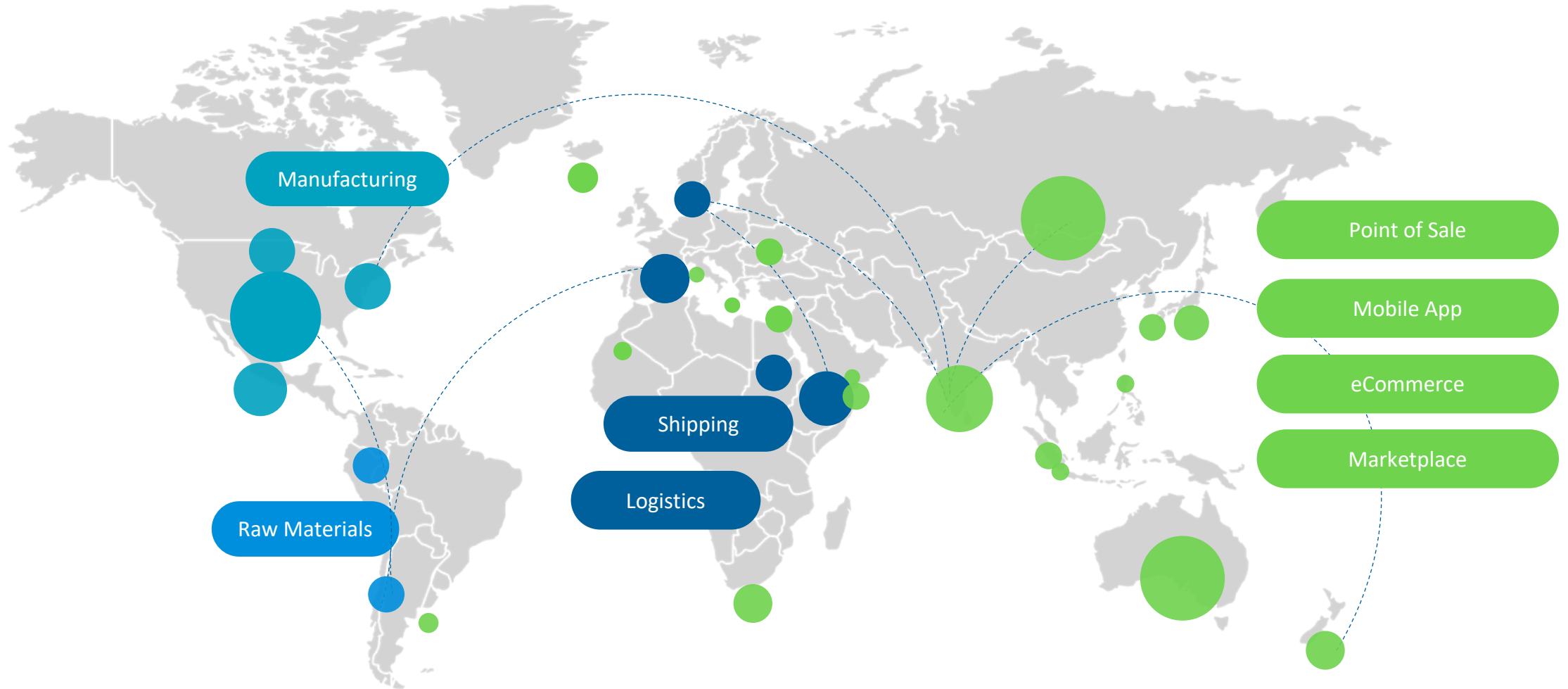
# Macroeconomic shifts are compounding complexity and providing accelerating tailwinds for our growth



## Business

Globalization
M&A
Supply chain
Business models

## Regulatory

Ecommerce
Marketplaces
Real-time Reporting
Digital Services
Cross-Border

## Technology

Digital transformation
Cloud
Big data
IoT
Platforms

VERTEX
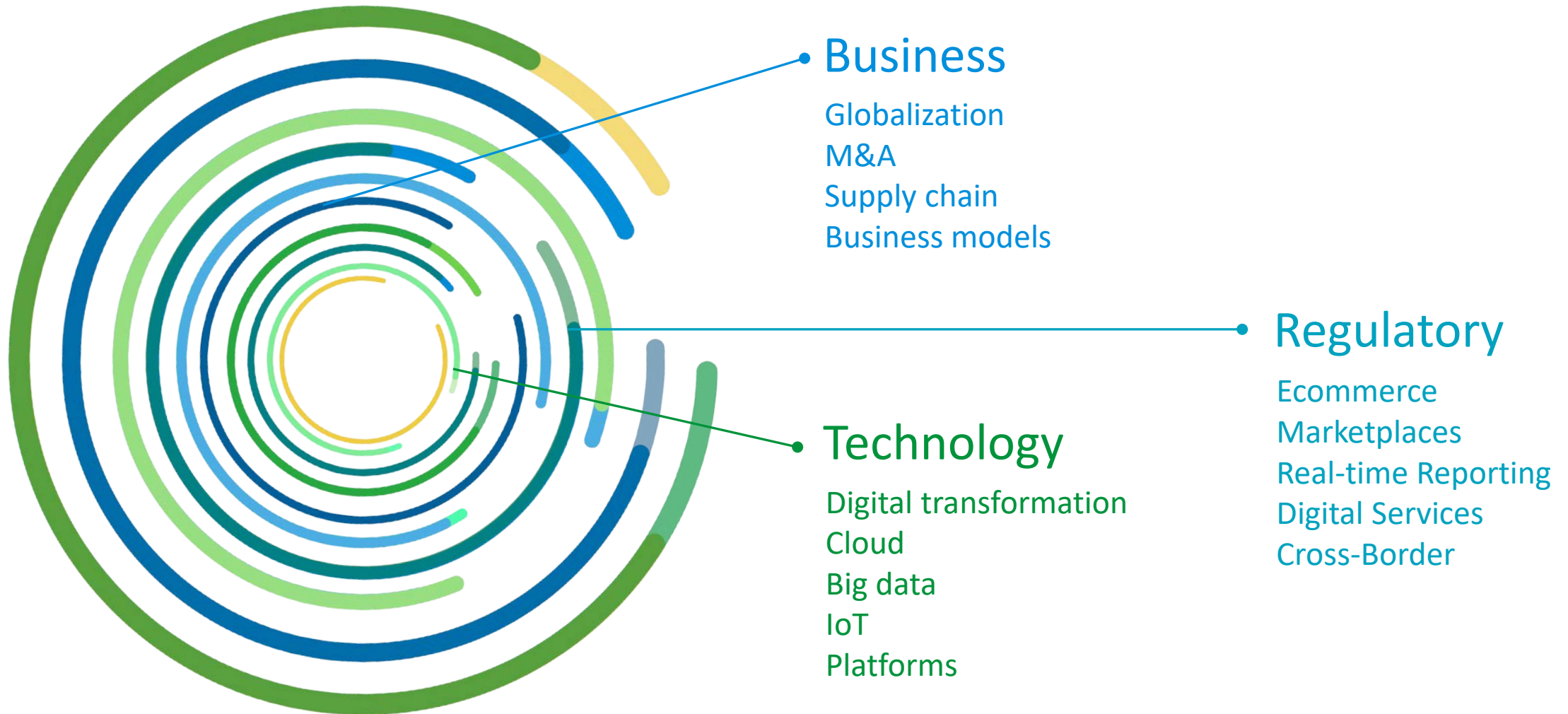
# ...and manual processes, in-house systems and native ERP are no longer sufficient to manage this complexity

**VERTEX**

# We estimate a $22B TAM with less than 10% software adoption [1]

**Enterprise**

**Mid-Market**

**SMB**

$7B

**US TAM**

| | |
|---|---|
| **$3B** (20K Firms) | |
| **$2.3B** (50K Firms) | |
| **$1.7B** (1.2M Firms) | |

$15B

**Rest of World TAM**

| |
|---|
| **$7.6B** (44K Firms) |
| **$7.7B** (200K Firms) |
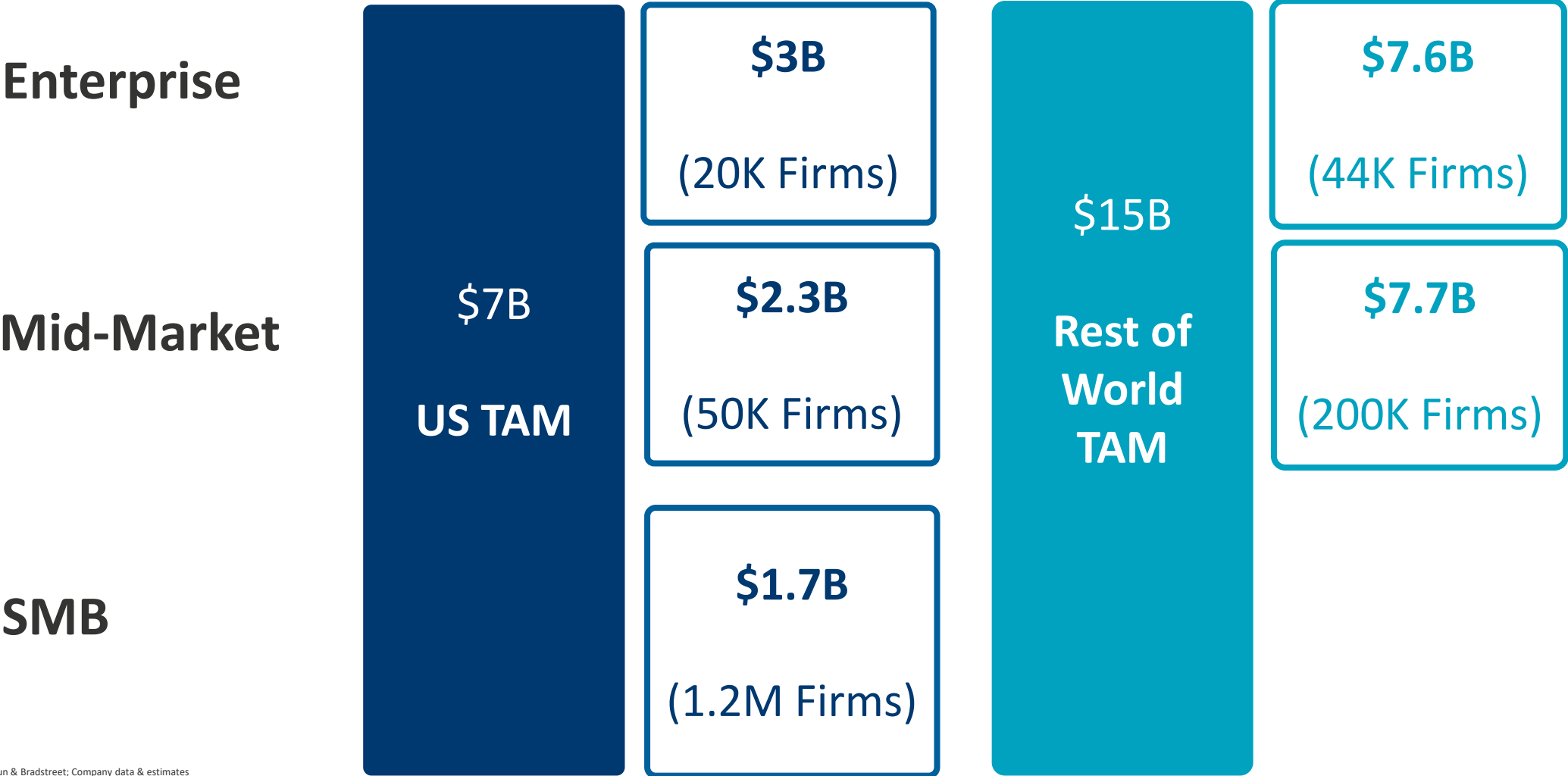
(1)   Source: Dun & Bradstreet; Company data & estimates

**VERTEX**

# Our target segments are at the heart of the global commerce fabric

- Global enterprises and subsidiaries
- Mid-market businesses in North America and Europe
- Digital native online sellers
- B2B and B2C marketplace aggregators
- All major industry verticals
- Ecommerce and payment platforms
- Supply chain enablers

# We have built a marquee customer base across a diverse set of industries

**4,303**[1]

Direct Customers

**63%**[2]

of the Fortune 500

**9**
of the Top 10
**Business Services**

**7**
of the Top 10
**Communications and Transport**

**8**
of the Top 10
**Financial Services**

**8**
of the Top 10
**Manufacturing**

**7**
of the Top 10
**Marketplaces**

**6**
of the Top 10
**Retail**

**6**
of the Top 10
**Wholesale Trade**

(1) Vertex direct customers are based on the Vertex active customer list as of September 30, 2023. Refer to Appendix for makeup..
(2) Top 10 companies within the Fortune 500 are based on annual revenues as of December 31, 2022.

**VERTEX**

# Powerful end-to-end solutions

Our solutions address the complexities of the broadest set of global businesses, commerce platforms and B2B / B2C marketplaces

- Multi-jurisdictional
- Multi-channel distribution
- Multiple transaction systems
- High transaction volumes

Modular capabilities supporting multiple end-to-end use cases
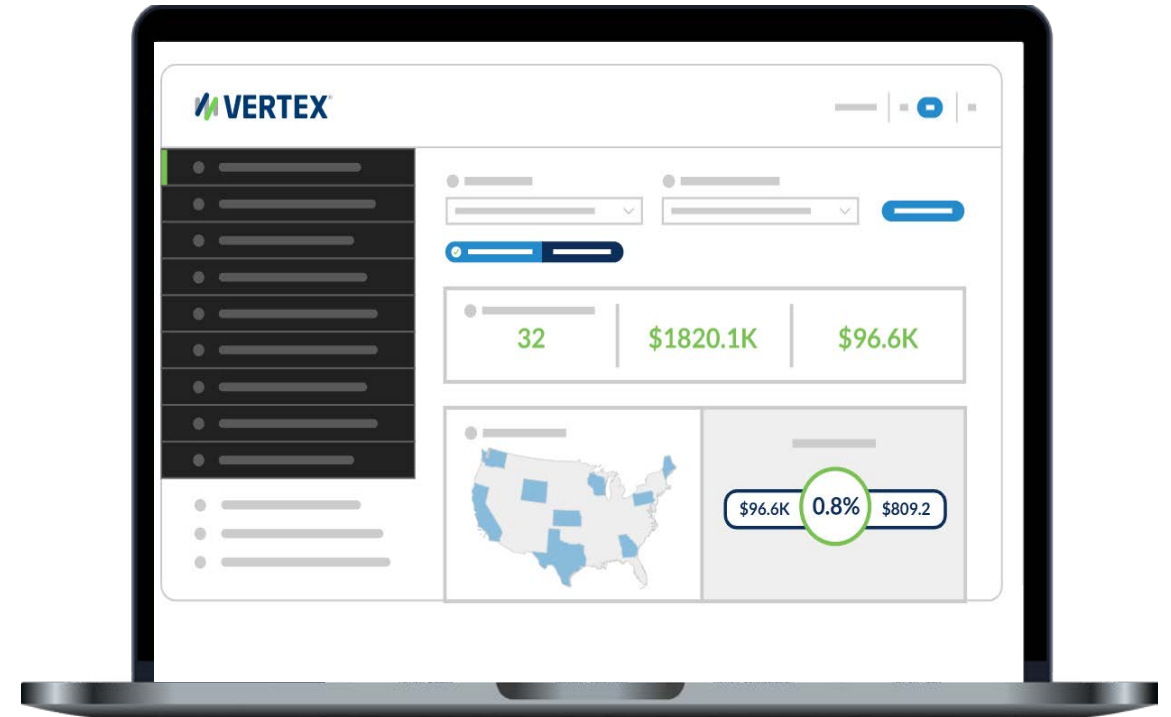


TAX DETERMINATION     COMPLIANCE & REPORTING     TAX DATA MANAGEMENT     DOCUMENT MANAGEMENT

| Registration | Product Mapping | Calculation | Exemptions | Compliance | Invoicing | Payments | Reporting |

# Strong and differentiated capabilities with high barriers to entry

**MULTI-TAX TYPES** integrated on a single platform and data model

Depth and breadth of **INTEGRATIONS** drives rapid time-to-benefit across core business processes

**GLOBAL CONTENT DATABASE** coverage across verticals, digital and physical goods

**MULTI-CLOUD** delivery for rapid value and customer experience

**ACCELERATORS** enable codeless configuration and native user experience for rapid time-to-benefit

# Land-and-expand go-to-market model provides operating leverage

**Sales & Services**

**Customer Experience**

Direct
Indirect
Channel
Strategic accounts

Customer success
Technical services
Account services
Product telemetry

Alliance Ecosystem

Tax & accounting firms | System integrators | Channel partners

**Deloitte.** | **KPMG** | **pwc** | **Grant Thornton** | **BDO** | **accenture** | **CPA.com** | 70+ Other Consulting Firms

**VERTEX**
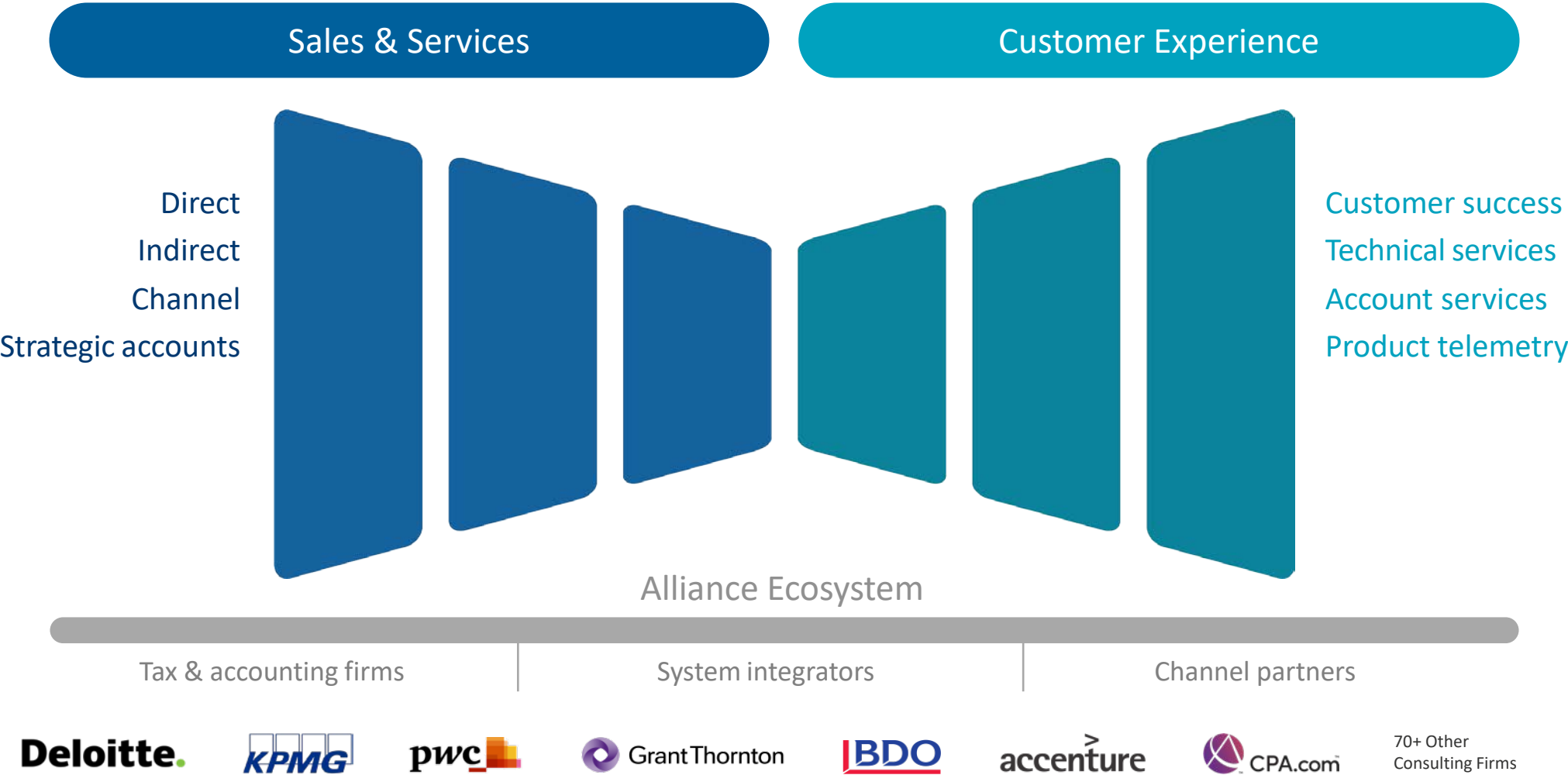
# Deeply-integrated ecosystem with unparalleled scale on the platforms that power global commerce

# Multiple levers to monetize our large and growing install base

Tax type

Regions

Premium content & services

Transaction volume

Product modules

Deployment

**VERTEX**
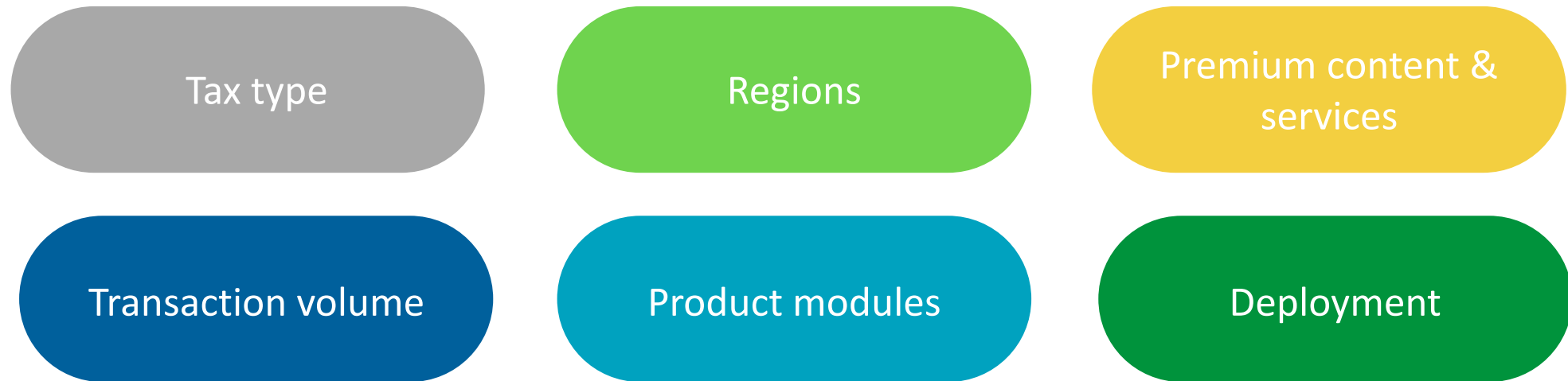
# Regulatory landscape is expanding beyond the enterprise
## Global reach to capitalize on emerging compliance requirements



Countries supported with foreign supplier obligations

Countries with pending or current marketplace legislation (on Roadmap)

VERTEX
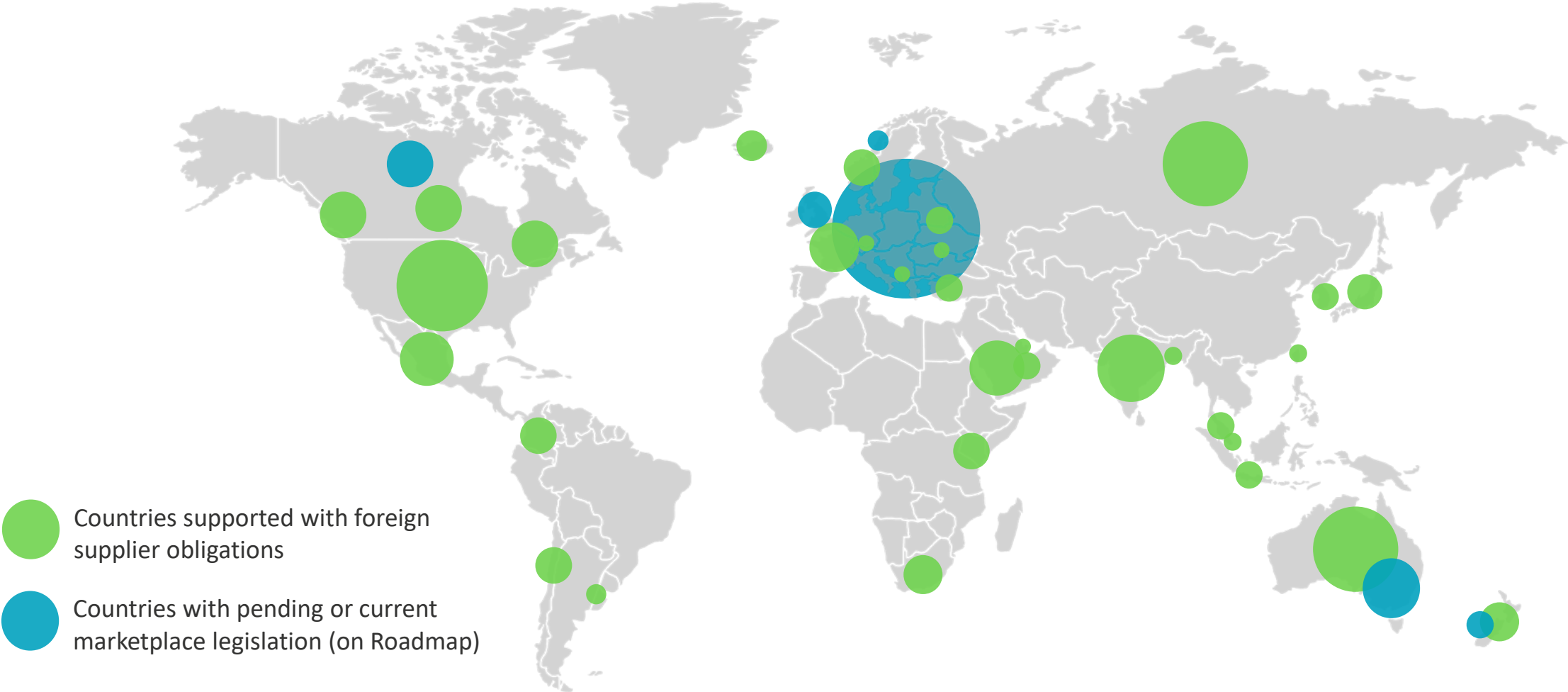
# Multiple drivers of future growth

Expand existing customer revenues

Acquire new customers

Broaden & deepen our partner ecosystem

Extend global footprint

Sustained investment in product innovation

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# Drivers of long-term revenue growth

**26%**

YTD Q3 2023 YOY Cloud revenue growth [1]

**18%**

2023 ARR Growth [1]

## EXPANSION WITH EXISTING CUSTOMERS

**111%** Net revenue retention rate[1]

Upsell to cloud

Expansion across geographies, tax types, existing products

New products and services in pipeline

## DRIVERS OF NEW GROWTH AREAS

New customer adds in current segments

New customer adds in segments with increasing complexity

New channel partnerships

Investments in new integrations to access more customers

Marketplaces

Expansion of our geographic coverage

## ENABLERS

M&A

Expanding go-to-market investments across sales, marketing, and account management

Innovation

## BROADER INDUSTRY DRIVERS

Business model expansion and diversification

Expansion of eCommerce, digital goods and services

Technology refreshes (cloud & ERP), best-of-breed

Regulatory pressure / scrutiny post-COVID-19

Marketplace facilitator regulations

Notes:
(1) Based on information as of September 30, 2023.

VERTEX

# Financials

# Strong recurring top-line growth

## ($ in millions)

### Total Revenues

**Software Subscriptions**  **Services**

15% QoQ Growth

$126
$20
$106

$145
$24
$121

Q3 22A    Q3 23A

16% YoY Growth

$360
$56
$305

$417
$67
$350

YTD Q3 22A    YTD Q3 23A

### Cloud Revenue

25% QoQ Growth

$44

$55

Q3 22A    Q3 23A

26% YoY Growth

$122

$154

YTD Q2 22A    YTD Q2 23A

VERTEX

# Strong recurring top-line growth

## ($ in millions)

### Annual Recurring Revenue ("ARR")[1]

18% YoY Growth

$381
$447

Q2 2022   Q2 2023

18% YoY Growth

$412
$485

Q3 2022   Q3 2023
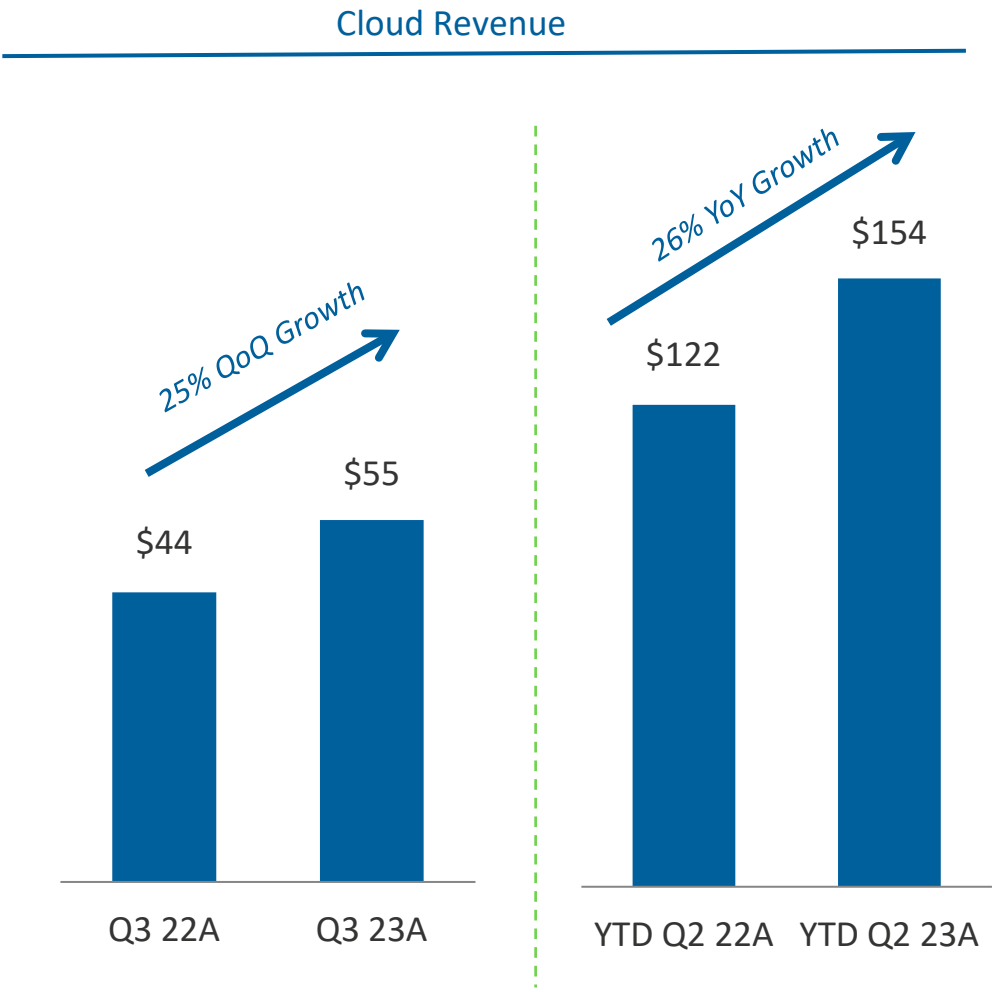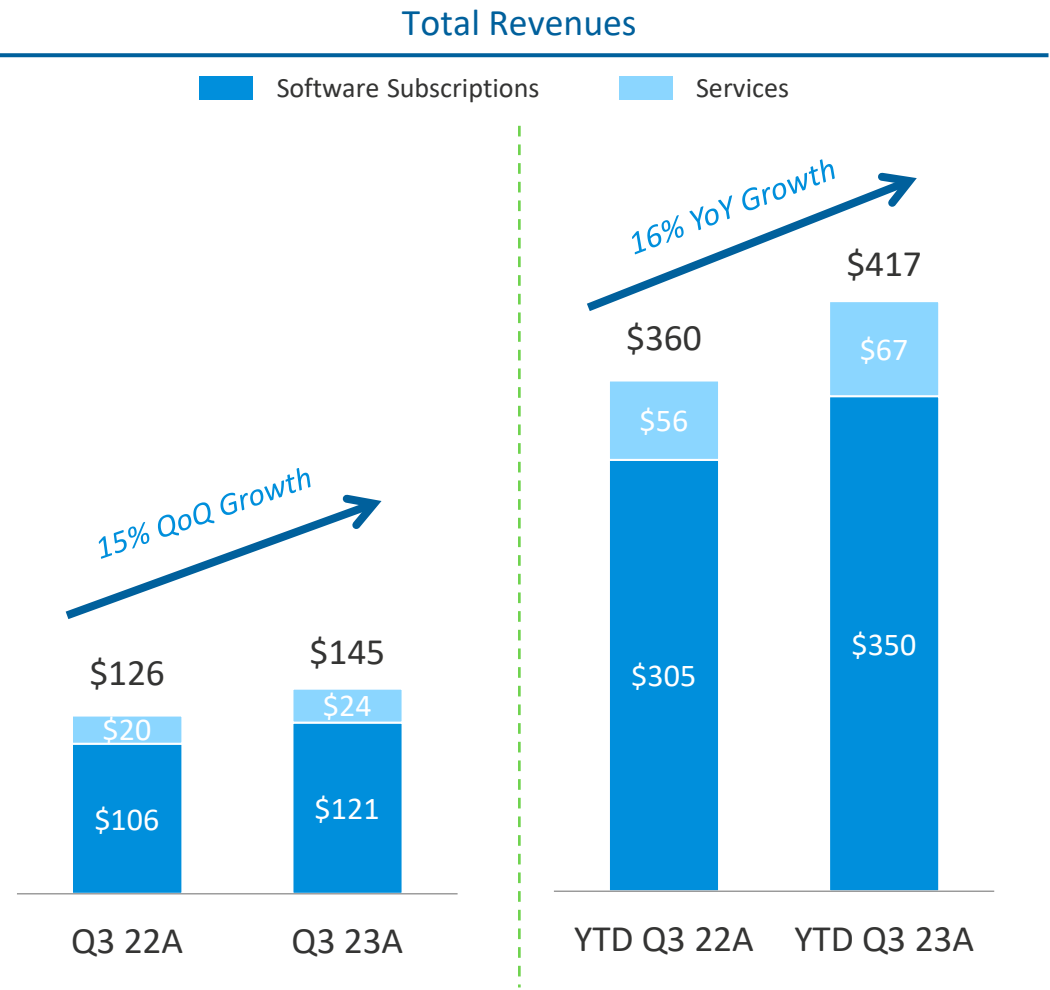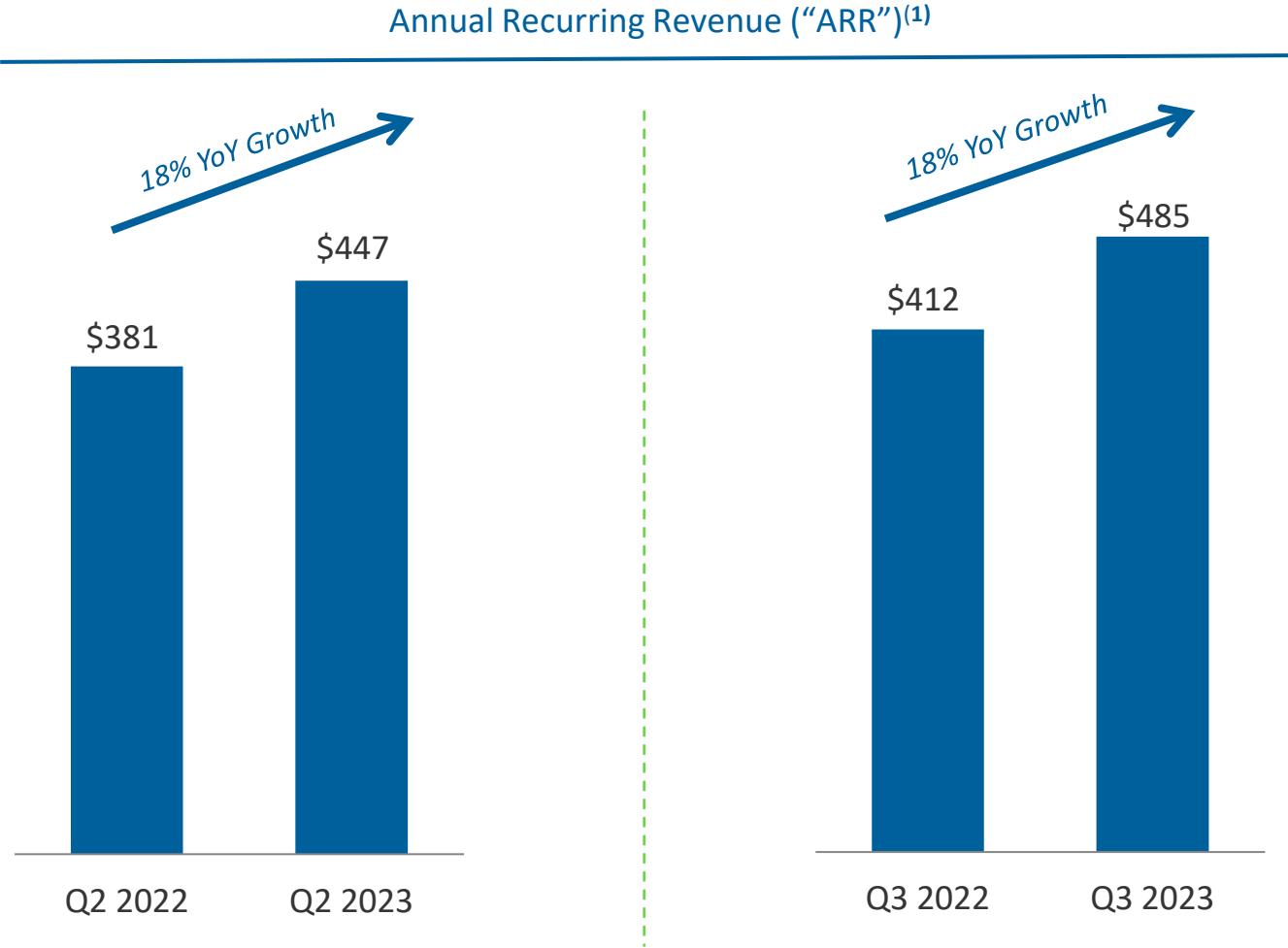
Notes:
(1)   ARR is based on monthly recurring revenue from software subscriptions at period, multiplied by twelve.

VERTEX

# Healthy EBITDA and EBITDA Margin

($ in millions)



Adjusted EBITDA[1]

| | |
|---|---|
| Q3 22A | $21 |
| Q3 23A | $27 |
| YTD Q3 22A | $58 |
| YTD Q3 23A | $69 |

Adjusted EBITDA Margin[2]

| | |
|---|---|
| Q3 22A | 16% |
| Q3 23A | 18% |
| YTD Q3 22A | 16% |
| YTD Q3 23A | 17% |
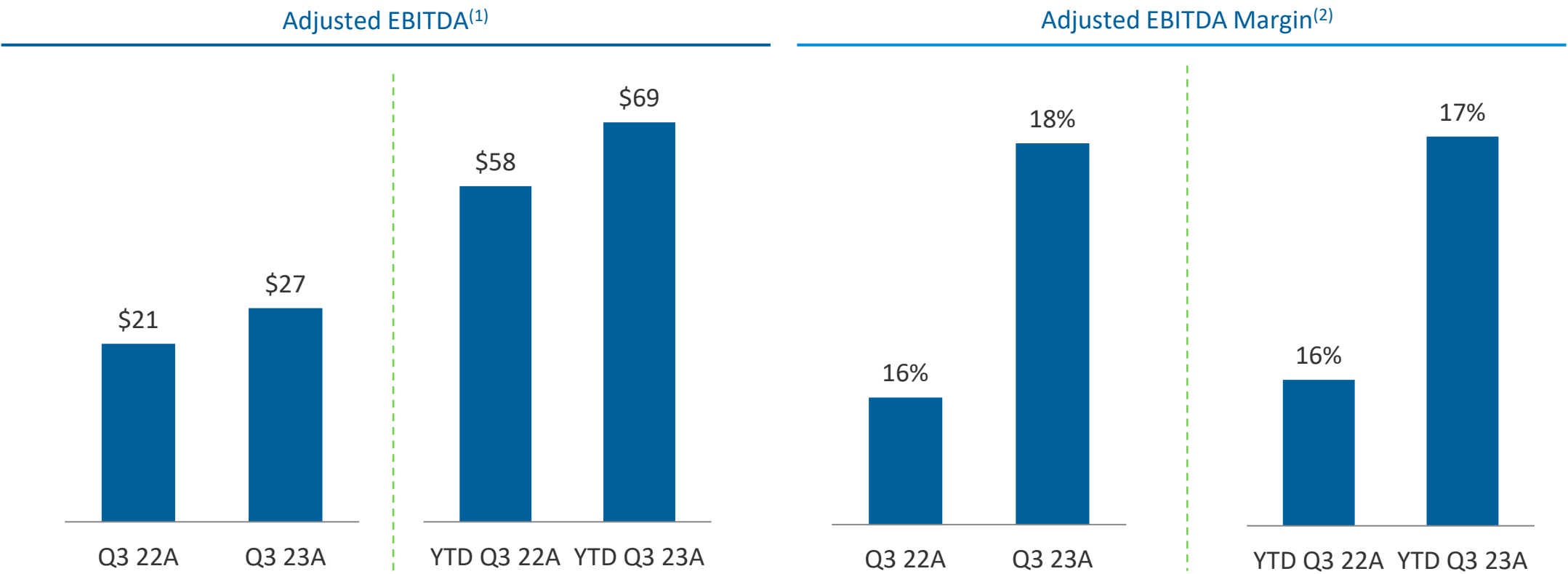
Notes:
(1)     Adjusted EBITDA is a non-GAAP measure. For a reconciliation to the nearest GAAP measure, please see the Appendix.
(2)     Margins reflect respective financial figures as a percentage of total revenues in each respective period.

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# Consistent Long Term Revenue Growth [1]

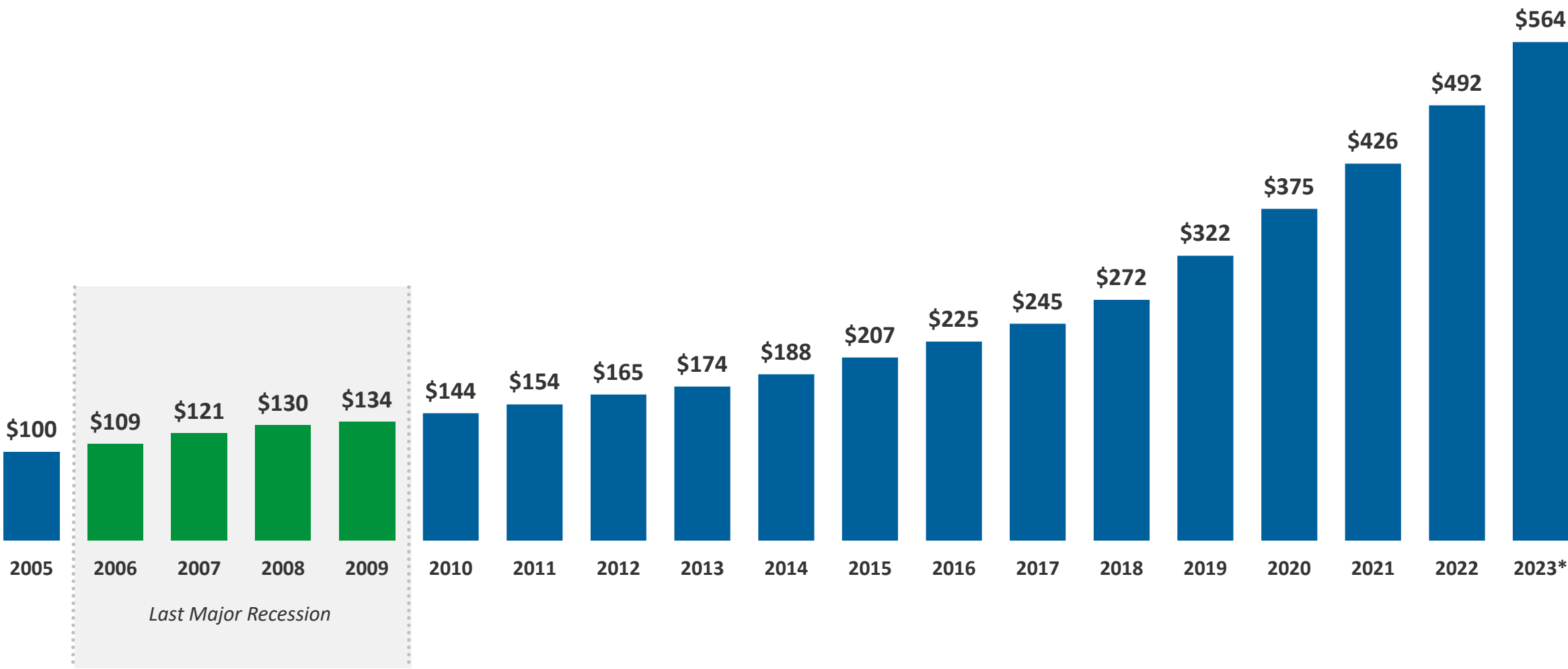## Annual Revenue ($ in millions)



| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| $100 | $109 | $121 | $130 | $134 | $144 | $154 | $165 | $174 | $188 | $207 | $225 | $245 | $272 | $322 | $375 | $426 | $492 | $564 |
| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023* |

*Last Major Recession*

(1) 2005 through 2017 from unaudited internally-derived financial statements. Revenue starting in 2018 reflects application of ASC 606.
*Reflects midpoint of guidance

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# Financial Outlook

|  | Q4 2023 | FY 2023 |
|---|---|---|
| Total Revenues | $145 million to $147 million | $562.5 million to $564.5 million |
| Adjusted EBITDA [1] | $27.5 million to $29.5 million | $96.3 million to $98.3 million |
| Cloud Revenues |  | Cloud revenue growth of 25% |

Notes: (1) Adjusted EBITDA is a non-GAAP measure. For a reconciliation of this non-GAAP measure to the nearest GAAP measure for the three and six month periods ended June 30, 2023 and 2022, see the Appendix.

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# Appendix

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# Adjusted EBITDA reconciliation[1]
## ($ in thousands)

| Adjusted EBITDA | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
| --- | --- | --- | --- | --- |
| | 2022 | 2023 | 2022 | 2023 |
| Net loss | $(1,141) | $(3,399) | $(6,995) | $(28,427) |
| Interest expense, net | 361 | (597) | 1,079 | 142 |
| Income tax expense (benefit) | (91) | 784 | 1,217 | 13,266 |
| Depreciation and amortization – property and equipment | 2,936 | 3,782 | 9,120 | 11,401 |
| Depreciation and amortization of capitalized software and acquired intangible assets – cost of subscription revenues | 11,102 | 14,029 | 33,185 | 39,150 |
| Amortization of acquired intangible assets - selling and marketing expense | 755 | 596 | 3,023 | 2,046 |
| Amortization of cloud computing implementation costs – general and administrative | - | 919 | - | 1,550 |
| Stock-based compensation expense | 5,256 | 7,772 | 14,383 | 26,228 |
| Severance expense | 241 | 643 | 622 | 2,103 |
| Acquisition contingent consideration | 1,300 | 900 | 2,000 | 1,349 |
| Transaction costs | 1 | - | 8 | - |
| Adjusted EBITDA ($) | $20,720 | $26,623 | $57,642 | $68,808 |
| Adjusted EBITDA Margin (%) | 16% | 18% | 16% | 17% |

Notes:
(1) Adjusted EBITDA is a non-GAAP financial measure. The above table reconciles this non-GAAP financial measure to the most directly comparable GAAP financial measure. Refer to Form 10Q for the nine months ended September 30, 2023 for additional information regarding the Company's use of this non-GAAP financial measure.

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# Total Customers

We use channel partners to sell and service small business customers through our one-to-many strategy. Including these indirect customers in our customer count would result in increases in our customer count as follows:

| Customers | Q3 2022 | Q4 2022 | Q1 2023 | Q2 2023 | Q3 2023 |
|---|---|---|---|---|---|
| Direct | 4,230 | 4,289 | 4,278 | 4,284 | 4,303 |
| Indirect | 268 | 270 | 291 | 329 | 373 |
| Total | 4,498 | 4,559 | 4,569 | 4,613 | 4,676 |
| | | | | | |
| Growth in scaled customer[1] count | 17% | 15% | 15% | 15% | 15% |

(1) Scaled Customer = customer generating over $100,000 of annual revenue

VERTEX

COMMERCE

COMPLIANCE